

BIG SHIPS BRING BIG OPPORTUNITY



THE ISSUE

In less than three years, a wider, deeper Panama Canal will open to cargo ships nearly twice the size of most ships today. Ports around the world are scrambling to build berths and cranes big enough to accommodate these megaships — but the Port of Baltimore will be ready.

Because of a partnership between the state of Maryland and the private company Ports America, a new berth and new cranes will be ready by August 2012, nearly two years before the \$5.25 billion Panama Canal project is complete. Being ahead of the game is no accident; leaders know what the Port of Baltimore means to the region, Greater Washington, and the entire East Coast.

“Between the Baltimore-Washington corridor and the Baltimore-Philadelphia corridor, that’s 14 million consumers,” says Jim White, executive director of the

Maryland Port Administration. “It’s the third-largest consumer group in the country.” The size and wealth of Greater Washington’s consumer group makes it attractive to manufacturers the world over.

Traditionally, most freight from Asia has gone to the West Coast for shipping by rail across the country. Bigger ships moving through the Panama Canal make shipping straight to the East Coast more cost-effective. Stephen Flippin, director of federal affairs for rail company CSX Corp., says CSX’s international freight has already shifted from about a 55-45 percent split in favor of the West Coast just two years ago to the opposite split today.

Just how big are the megaships? As of August 2011, the largest ship ever to dock at the Port of Baltimore was 9,200 TEUs (twenty-foot equivalent units, referring to the size of cargo containers). The new berth and cranes

2014

The year the Panama Canal opens to larger ships

2012

The year the Port of Baltimore will be ready for those ships

will handle ships up to 14,000 TEUs, or 52 percent larger. With this increased capacity, the port is poised to be an even bigger world player.

Meanwhile, other ports face obstacles. In New York, the Bayonne Bridge would have to be raised to provide more clearance. Philadelphia and Charleston, S.C., would need costly dredging to handle large ships. Baltimore will have advantages over all of these ports.

"Once the Panama Canal project is completed, we'll be ready to compete with New York for first port of call," White says.

THE OPPORTUNITIES

For Greater Washington, a growing shipping industry brings new and enhanced opportunities.

» **Distribution Close to Home** "There's a great opportunity for local distribution and warehouses to service the new volume," says Mark Montgomery, president and CEO of Ports America Chesapeake.

Large companies such as Wal-Mart, Home Depot, and IKEA may need to expand their distribution centers, especially regional ones, and there will be more opportunities for trucking and other off-dock work. There is plenty of room for growth, especially off-site, since space at the port is limited.

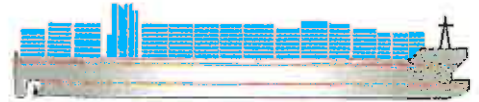
THE OPPTY BOX

Key players and further resources for shipping in Greater Washington

- Port of Baltimore, Maryland Port Administration
mpa.maryland.gov
Jim White, executive director
- Ports America Chesapeake
portsamerica.com
Mark Montgomery, president and CEO
- CSX Corp.
csx.com
Stephen Flippin, director of federal affairs

GROWING CARGO SHIPS

The largest ship to dock at the Port of Baltimore was **9,200** TEUs. By **2012**, the port will handle ships of **14,000** TEUs, or **52** percent larger.



As part of its larger National Gateway project — which the Greater Washington Board of Trade has supported — CSX plans to build the BWI Intermodal Facility near Baltimore/Washington International Airport. Right now, rail freight is limited by the height of the Howard Street Tunnel in Baltimore. The BWI Intermodal Facility would bypass that problem. Single-track trains and trucks would make the short trip from the Port of Baltimore to the new facility, and then CSX would load trains with "double-stack" freight, literally doubling capacity.

"It's a hole in our network that we're going to fix," Flippin says. Once it's fixed, shipping opens up all the way from the Greater Washington region to Chicago and the Midwest markets.

» Bigger Markets and More Products

Baltimore already is the No. 2 port in the country for automobile shipping, behind only New York, and automobile shipping brings a great number of jobs with it. As increased capacity makes the port even more appealing to other businesses, the automobile industry could grow, too.

So could "forest products," in which the Port of Baltimore ranks first in the country. Because of environmental concerns and aging manufacturing plants, most pulp now comes from Brazil. It ships through Baltimore, then by rail to plants in the Midwest, where companies such

as Kimberly-Clark and Procter & Gamble turn the pulp into everyday items, including diapers, napkins, and paper towels. The economics of larger ships could make Baltimore and Greater Washington appealing for new plants closer to the source, White says.

Baltimore also has a relatively balanced import-export ratio at roughly 55 percent and 45 percent, Montgomery says. Ships can offload their cargo here, then leave with raw materials or used automobiles. And there are other areas for export growth, including grain going to China.

» **The Future of Logistics** The greatest opportunities may not come directly from the port, but from the activity that surrounds it.

Flippin points to a big change in the transportation market. Companies are now less likely to survive by being just a rail company, just a trucking company, or just a distribution company. It all fits together under the heading of logistics, and there will be ample business for firms that can handle varied work efficiently and effectively.

"There's a future in growing the port and the logistics chain around it," Montgomery says. "Everything grows together: the port, the shipping network of trucking and rail, the distribution, everything." ☞

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